

Terrorism's gold standard



Gold is still the preferred tool of terrorist financiers and national currencies — no matter how tradeable — will never be as effective, says **John Cassara**

IN MAY 2004, in one of the very few public pronouncements by al-Qaeda in which reference was made to finance, Osama bin Laden offered a reward for anyone killing coalition force commanders. The reward offered was an amount of gold.

In 2005 cartoons of the prophet Muhammad were printed in a Danish newspaper. The resulting publicity caused outrage in the Muslim world. In February 2006 the Taliban offered 100 kilograms of gold for anyone killing the individuals responsible for the “blasphemous” cartoons.

Why is gold popular with terrorists?

- Gold is available to terrorist organisations as part of their diversified financing arrangements.
- Terrorists are primarily from countries where gold is an intrinsic part of the culture.
- In times of uncertainty and civil strife, gold is often better than national currencies.
- Gold can act as a better insurance policy, hedge against devaluations, bribe currency and source of transportable wealth than currency.
- Zakat (charitable contributions) is one of the five pillars of Islam. The financial reference point which is used to determine Zakat is called Nisaab. Nisaab is often calculated in gold for historic, cultural and religious reasons.
- In the Muslim world, gold plays a large role in personal and Islamic finance. With the creation of the Islamic golden dinar, gold's prominence in the Muslim world will grow further.
- Gold is an informal value transfer system and plays an important role in other underground systems such as hawala.

- Gold is an international medium of exchange that is generally immune to traditional financial intelligence reporting requirements, asset freezes, sanctions, and designations.

As Osama bin Laden once said, al-Qaeda has recognised the “cracks in the Western financial system”.

In 1989 Operation Polar Cap, the largest money laundering investigation in history, involved the laundering of over one billion dollars of narcotics proceeds through the buying and selling of real and fictitious gold. In January 2007 in one of the largest drug-related money and value seizures in history, the Colombian national police discovered more than \$US80 million (\$95 million) in cash and gold in private residences and businesses, buried in the ground and stashed in private safes. Over the years there has been a myriad of gold-related money laundering cases around the world.

Why is gold popular with launderers?

- Gold has been a haven of wealth since antiquity.
- Gold is a readily acceptable medium of exchange anywhere in the world.
- Gold is both a commodity and a de facto bearer instrument.
- Gold's value is relatively predictable.
- The weight and quality of gold can be assured.
- Depending on need, the form of gold can be altered.
- Gold offers easy anonymity.
- Gold brokers can “layer” transactions that further confuse the paper trail.
- Gold is easily smuggled.

- Gold is readily susceptible to false invoicing and other fraudulent schemes.
- E-gold can now be used by money launderers.

The gold industry is important in both Australia and the US. When I was assigned to the US Department of Treasury's Financial Crimes Enforcement Network (FinCEN), in the years surrounding 9/11, I was literally given a gag preventing discussion of the misuse of gold by terrorists and money launderers.

In contrast gold dealers in Australia have had a long history supporting Australia's anti-money laundering and counter-terrorist financing efforts. Under the Financial Transaction Reports Act 1988, bullion dealers are required to:

- verify the identity of customers when they open an account or enter into a bullion transaction
- keep transaction records
- report any suspicious transactions to the Australian Transaction Reports and Analysis Centre (Austrac).

There are similar requirements in the recently enacted AML/CTF Act. As part of the AML/CTF reform agenda, a further round of consultations will commence shortly with jewelers and others in the precious metals and stones industry.

I am heartened that Australia recognises gold's importance in this area and I applaud the efforts of both government and industry in working together to find workable solutions for updating reporting requirements for gold “reporting entities.” □

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